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**UNITED STATES AWARDED OVER \$1.5 MILLION IN DAMAGES AND PENALTIES
AGAINST COUPLE IN GOVERNMENT CONTRACTING FRAUD CASE**

Baltimore, Maryland - United States Attorney Thomas M. DiBiagio announced today that the U.S. District Court for the District of Maryland has awarded the United States triple damages and penalties of \$1,506,708.10 against John Rachel, age 67, his wife, Priscilla Rachel, age 56, both of Nokesville, Virginia, and two corporations they controlled. The United States had previously been granted summary judgment on the issue of the couple's liability under the False Claims Act, which allows the recovery of damages from those that submit fraudulent claims to the federal government.

The lawsuit centered on a 1995 contract between the Internal Revenue Service and Diez Management Systems, Inc. to repair laptop computers used by the IRS throughout the country. The IRS contract called for Diez to repair the laptop computers and bill the IRS for its actual costs, plus a fixed markup. In 1994, Diez had entered into a "teaming agreement" with RGI, Inc., a company owned and operated by John Rachel, to perform the work under this and other government contracts. RGI and Rachel, in turn, located a third company, Technical Design Resources (TDR), which actually repaired the laptop computers. At issue in the case were repairs made by TDR to IRS laptop

screen hinges.

The court found that in 1995, the Rachels created a shell corporation, Computer Specialties of Maryland, Inc. (CSM), to act as a “middleman” between Diez/RGI and TDR. The court found that on average TDR would charge between \$23.20 and \$26.70 to repair an IRS laptop hinge. Rachel and CSM, would then markup each invoice to \$117.00, approximately 5 times that charged by TDR, and would provide a new invoice to RGI. RGI, in turn, would mark up the CSM invoice to \$122.84 and submit it to Diez, which in turn would bill the IRS.

Judge Nickerson had previously found “with little difficulty” that the CSM markup of the TDR invoice was fraudulent, agreeing with the government’s contention that the Rachels formed CSM in order to artificially inflate costs that would ultimately be paid by the IRS. In doing so, the court noted that RGI and CSM were owned by the same person (John Rachel), that CSM had no employees, used RGI’s office space and ceased to exist after the end of the IRS-Diez contract. Furthermore, the court found that the Rachels profited significantly from the creation of the fraudulent CSM invoices.

The government claimed that it was entitled to recover \$413,995.20 paid under this contract as a direct result of the fraudulently inflated invoices. Under the False Claims Act, the government can recover three times its damages plus up to a \$10,000 per claim penalty. The court allowed the defendants a fee of \$5,516.43 and otherwise adopted the government’s computations on damages, also finding that the government was entitled to triple damages under the statute, and that “the serious nature of Defendant’s fraudulent activity” merited the full \$10,000 per claim penalty for each of the 22 claims identified by the United States.

The summary judgment ruling means there are no material factual issues in the case and that the government is entitled to a judgment in its favor without the need for trial.

This case was investigated by the Treasury Department Inspector General for Tax Administration and was prosecuted by Assistant United States Attorney Tamera L. Fine.